

ELCO LIMITED

Interim Consolidated Financial Information

As of March 31, 2020

Convenience Translation into U.S. Dollars

(Unaudited)

ELCO LIMITED

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To: Elco LTD.

Re: Convenience Translation of Interim Financial Information

Per your request, we have reviewed the accompanying interim consolidated financial information of Elco Ltd. ("the Company") as of March 31, 2020 and for the period of three months then ended ("the Interim Financial Information"). The Interim Financial Information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express a conclusion regarding the Interim Financial Information based on our review.

We did not review the interim financial information of certain subsidiaries, whose assets constitute approximately 3.4% of the total consolidated assets as of March 31, 2020 and whose revenues constitute approximately 0.4% of the total consolidated revenue for period of the three months ended on March 31, 2020. Furthermore, we did not review the interim financial information of certain companies accounted for at equity, the investment in which amounted to approximately 10,624 thousand dollars as of March 31, 2020, and the Company's share of their profits amounted to approximately 487 thousand dollars for the period of three months ended on March 31, 2020. The interim financial information for those companies were reviewed by other auditors, whose reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The accompanying Interim Financial Information in US Dollars are a convenience translation of the interim consolidated financial statements as prepared in New Israeli Shekels as the rate of exchange of the Shekel into US Dollars prevailing on March 31, 2020, as described in note 4 of the Interim Financial Information.

Based on our review and the reports of the other auditors, we concluded an unqualified conclusion on the Company's consolidated interim financial statements in our report dated May 27, 2020.

The accompanying interim financial information, which are derived from the company's interim consolidated financial statements, are condensed interim financial information and do not include the disclosures required by International Financial Reporting Standards (IFRS). If the omitted disclosures were included in the accompanying interim financial information, it might influence the user's conclusions about the consolidated financial position, results of operations, changes in equity and cash flows of the company. Accordingly, the accompanying interim financial information are not designated for those who are not informed about such matters.

Based on our review and the reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not present fairly, in all material respects, the information contained in it.

Tel-Aviv, Israel
May 27, 2020

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

ELCO LIMITED**CONSOLIDATED BALANCE SHEETS**
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Current assets			
Cash and cash equivalents	318,889	140,434	259,229
Short-term investments	61,705	84,453	66,364
Trade receivables	520,232	443,399	487,374
Other accounts receivables	472,703	399,091	467,388
Inventory, inventory of real estate and rights in real estate	256,532	286,801	265,521
Assets held for sale	149	18,989	3,465
	<u>1,630,210</u>	<u>1,373,167</u>	<u>1,549,341</u>
Non-current assets			
Long-term receivables	31,089	15,052	25,741
Receivables for concession arrangement for the provision of services	19,690	24,135	20,459
Investment in entities accounted for at equity	318,492	270,214	312,014
Long-term inventory of real estate	17,744	18,786	17,660
Income generating assets	98,952	97,817	98,953
Fixed assets	225,828	139,787	220,841
Usage right assets	174,663	184,260	181,115
Goodwill and other intangible assets	835,609	624,156	810,462
Intangible asset for a concession project	87,478	38,575	76,222
Deferred tax assets	10,115	14,402	10,190
	<u>1,819,660</u>	<u>1,427,184</u>	<u>1,773,657</u>
	<u>3,449,870</u>	<u>2,800,351</u>	<u>3,322,998</u>

May 27, 2020
Date of approval of financial statements

ELCO LIMITED**CONSOLIDATED BALANCE SHEETS**
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Current Liabilities			
Credit from banking institutions and others	172,228	141,424	111,134
Bonds - current maturities	93,056	77,475	93,503
Current maturities of leasing liabilities	38,511	38,070	36,662
Suppliers and providers of services	561,049	460,134	604,620
Other payables	512,404	424,662	455,168
Dividend payable to shareholders in the Company	10,378	9,257	-
	<u>1,387,626</u>	<u>1,151,022</u>	<u>1,301,087</u>
Long-Term Liabilities			
Credit from banking institutions and others	303,942	143,065	282,863
Bonds	429,426	341,073	434,533
Leasing liabilities	149,189	156,993	157,154
Other liabilities	355,082	378,027	364,904
Employee benefit liabilities, net	16,909	15,240	17,424
Deferred taxes	68,305	57,856	65,539
	<u>1,322,853</u>	<u>1,092,254</u>	<u>1,322,417</u>
Equity			
Equity attributable to equity holders of the Company	375,751	300,360	376,558
Non-controlling interests	363,640	256,715	322,936
Total equity	<u>739,391</u>	<u>557,075</u>	<u>699,494</u>
	<u><u>3,449,870</u></u>	<u><u>2,800,351</u></u>	<u><u>3,322,998</u></u>

E. Vessely
Chief Financial Officer

M. Salkind
Joint General Manager

M. Fridman
Chairman of the Board of
Directors

ELCO LIMITED

CONSOLIDATED INFORMATION OF PROFIT OR LOSS CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Three months ended		Year ended
	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Revenues, net	767,039	648,847	2,836,360
Adjustment of the fair value and the results of the disposal of income-generating assets, net	-	-	(282)
Group's share of the profits of companies accounted for at equity, net	3,408	6,754	18,942
Other income	1,714	1,858	69,530
Total	772,161	657,459	2,924,550
Cost of producing revenues	(651,436)	(560,224)	(2,433,689)
Selling and marketing expenses	(42,093)	(34,794)	(153,383)
Administrative and general expenses	(26,460)	(23,326)	(96,300)
Other expenses	(1,650)	(422)	(6,269)
Financing income	5,697	5,789	14,008
Financing expenses	(17,518)	(14,633)	(60,921)
Total	(733,460)	(627,610)	(2,736,554)
Income before taxes on income	38,701	29,849	187,996
Taxes on income	(10,477)	(8,524)	(36,316)
Income from continuing operations	28,224	21,325	151,680
Operating loss from discontinued operations, net	-	(653)	(5,972)
Net income	28,224	20,672	145,708
Attributable to:			
Equity holders in the Company	15,625	9,644	72,645
Non-controlling interest	12,599	11,028	73,063
	28,224	20,672	145,708
Earnings per share - attributable to the Equity holders of the Company:			
Basic - Earnings			
From continuing operations	0.57	0.37	2.76
From discontinued operations	-	(0.01)	(0.11)
	0.57	0.36	2.65
Fully diluted - Earnings			
From continuing operations	0.51	0.36	2.73
From discontinued operations	-	(0.01)	(0.11)
	0.51	0.35	2.62

ELCO LIMITED

CONSOLIDATED INFORMATION OF COMPREHENSIVE INCOME CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Three months ended		Year ended
	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Net income	28,224	20,672	145,708
Other comprehensive income (loss) (after tax effects):			
Amounts that will never be reclassified to profit or loss:			
Gain (loss) from the re-measurement of defined benefit plans, net	335	-	(929)
Gain (loss) on hedging transactions	5,356	-	(432)
	5,691	-	(1,361)
Amounts that will be classified or reclassified to the profit or loss, when specific conditions are met:			
Adjustments deriving from the translation of the financial statements of foreign operations, net	(2,168)	(10,499)	(24,961)
Gain (loss) on hedging transactions	(434)	(858)	(1,274)
	(2,602)	(11,357)	(26,235)
Total other comprehensive income (loss)	3,089	(11,357)	(27,596)
Total comprehensive income	31,313	9,315	118,112
Comprehensive income attributable to:			
Equity holders in the company	18,918	2,954	55,837
Non-controlling interests	12,395	6,361	62,275
	31,313	9,315	118,112

ELCO LIMITED

CONSOLIDATED INFORMATION OF CHANGES IN EQUITY CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Attributable to equity holders in the company											Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Total		
	Unaudited												
Balance as of January 1, 2020	31,976	16,953	(58,476)	524,074	283	(54,015)	2,377	(910)	(93,930)	8,226	376,558	322,936	699,494
Net income	-	-	-	15,625	-	-	-	-	-	-	15,625	12,599	28,224
Total other comprehensive income (loss)	-	-	-	-	-	-	2,688	182	423	-	3,293	(204)	3,089
Total comprehensive income	-	-	-	15,625	-	-	2,688	182	423	-	18,918	12,395	31,313
Cost of share-based payment	-	-	-	-	-	-	-	-	-	243	243	711	954
Dividend to shareholders in the company	-	-	-	(10,379)	-	-	-	-	-	-	(10,379)	-	(10,379)
Dividend to non-controlling interests	-	-	-	(3,637)	-	-	-	-	-	-	(3,637)	(26,759)	(30,396)
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(945)	(1,488)	-	-	-	-	-	-	(2,433)	(1,261)	(3,694)
Transaction with non-controlling interests	-	-	-	-	7	-	-	-	-	-	7	790	797
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	(5,037)	-	-	10	(8)	1,509	-	(3526)	54,828	51,302
As of March 31, 2020	31,976	16,953	(59,421)	519,158	290	(54,015)	5,075	(736)	(91,998)	8,469	375,751	363,640	739,391

ELCO LIMITED

CONSOLIDATED INFORMATION OF CHANGES IN EQUITY CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

Attributable to equity holders in the company

	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Total	Non-controlling interests	Total equity
Balance as of January 1, 2019	31,976	16,547	(56,760)	467,764	455	(54,235)	3,251	(430)	(89,620)	8,009	326,957	272,699	599,656
Changes following the initial implementation of IFRS 16	-	-	-	(257)	-	-	-	-	-	-	(257)	(252)	(509)
Changes following the initial implementation of IAS 28	-	-	-	(19,220)	-	-	-	-	-	-	(19,220)	(10,845)	(30,065)
Reclassification of capital reserve on translation differences deriving from the implementation of the revision to IAS 28	-	-	-	(8,213)	-	-	-	-	8,213	-	-	-	-
Balance as of January 1, 2019 following the initial implementation of IFRS 16 and IAS 28	31,976	16,547	(56,760)	440,074	455	(54,235)	3,251	(430)	(81,407)	8,009	307,480	261,602	569,082
Net income	-	-	-	9,644	-	-	-	-	-	-	9,644	11,028	20,672
Total other comprehensive loss	-	-	-	-	-	-	(452)	-	(6,238)	-	(6,690)	(4,667)	(11,357)
Total comprehensive income (loss)	-	-	-	9,644	-	-	(452)	-	(6,238)	-	2,954	6,361	9,315
Cost of share-based payment	-	-	-	-	-	-	-	-	-	25	25	541	566
Dividend to shareholders in the company	-	-	-	(9,257)	-	-	-	-	-	-	(9,257)	-	(9,257)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(12,361)	(12,361)
Acquisition of treasury shares in the company	-	-	(313)	-	-	-	-	-	-	-	(313)	-	(313)
Initial consolidation of companies	-	-	-	-	-	-	-	-	-	-	-	778	778
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	(527)	-	-	-	4	(7)	-	(530)	(206)	(736)
Exercise of option warrants	-	335	-	-	-	-	-	-	-	(334)	1	-	1
As of march 31, 2019	31,976	16,882	(57,073)	439,934	455	(54,235)	2,799	(426)	(87,652)	7,700	300,360	256,715	557,075

ELCO LIMITED

CONSOLIDATED INFORMATION OF CHANGES IN EQUITY

CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

Attributable to equity holders in the company

	Share capital	Share premium	Treasury shares	Retained earnings	Capital reserve on transactions with controlling interests	Capital reserve on financial assets at fair value through other comprehensive income	Capital reserve on hedging transactions	Capital reserve on the re-measurement of defined benefit plans	Adjustments deriving from the translation of financial Statements	Capital reserve on share-based payment	Total		Non-controlling interests	Total equity
											Total	Non-controlling interests		
Balance as of January 1, 2019	31,976	16,547	(56,760)	467,764	455	(54,235)	3,251	(430)	(89,620)	8,009	326,957	272,699	599,656	
Changes following the initial implementation of IFRS 16	-	-	-	(257)	-	-	-	-	-	-	(257)	(252)	(509)	
Changes following the initial implementation of IAS 28	-	-	-	(19,220)	-	-	-	-	-	-	(19,220)	(10,845)	(30,065)	
Reclassification of capital reserve on translation differences deriving from the implementation of the revision to IAS 28	-	-	-	(8,213)	-	-	-	-	8,213	-	-	-	-	
Balance as of January 1, 2019 following the initial implementation of IFRS 16 and IAS 28	31,976	16,547	(56,760)	440,074	455	(54,235)	3,251	(430)	(81,407)	8,009	307,480	261,602	569,082	
Net income	-	-	-	72,645	-	-	-	-	-	-	72,645	73,063	145,708	
Total other comprehensive loss	-	-	-	-	-	-	(913)	(496)	(15,399)	-	(16,808)	(10,788)	(27,596)	
Total comprehensive income (loss)	-	-	-	72,645	-	-	(913)	(496)	(15,399)	-	55,837	62,275	118,112	
Cost of share-based payment	-	-	-	-	-	-	-	-	-	621	621	3,031	3,652	
Loan for the purchase of shares	-	-	(1,403)	-	-	-	-	-	-	-	(1,403)	-	(1,403)	
Dividend to shareholders in the company	-	-	-	(9,257)	-	-	-	-	-	-	(9,257)	-	(9,257)	
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(23,598)	(23,598)	
Acquisition of treasury shares in the company and in subsidiary companies	-	-	(313)	(1,490)	-	-	-	-	-	-	(1,803)	(1,289)	(3,092)	
Issuance of capital /purchase and sale of shares in consolidated companies	-	-	-	22,102	(172)	220	39	16	2,876	-	25,081	12,989	38,070	
Initial consolidation of companies	-	-	-	-	-	-	-	-	-	-	-	1,568	1,568	
Receipts for option warrants	-	-	-	-	-	-	-	-	-	-	-	6,358	6,358	
Exercise of option warrants	-	406	-	-	-	-	-	-	-	(404)	2	-	2	
As of December 31, 2019	31,976	16,953	(58,476)	524,074	283	(54,015)	2,377	(910)	(93,930)	8,226	376,558	322,936	699,494	

ELCO LIMITED

CONSOLIDATED INFORMATION OF CASH FLOWS CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

	Three months ended March 31		Year ended December 31
	2020	2019	2019
	Unaudited		Audited
Cash flows from operating activities:			
Net income	28,224	20,672	145,708
Adjustments required in order to present the cash flows from operating activities (Appendix A')	(17,922)	(54,674)	97,703
Net cash generated by (absorbed) by operating activities (before acquisition of and investment in land)	10,302	(34,002)	243,411
Acquisition of and investment in land *)	(1,115)	(1,996)	(5,492)
Net cash generated by (absorbed) by operating activities	9,187	(35,998)	237,919
Cash flows from investment activities:			
Acquisition of fixed assets and intangible assets	(27,997)	(12,645)	(104,453)
Capitalization of customer acquisition costs	(1,005)	(970)	(4,270)
Acquisition and construction of income generating assets	(42)	(47)	(30)
Initially consolidated companies and activities (Appendix B)	(13,571)	(41,029)	(215,414)
Investment in shares of affiliated and other companies	5,617	27,170	(41,915)
Consideration from the disposal of (investment in) short-term investments, net	(714)	(11,732)	10,945
Consideration from the disposal of fixed and income-generating assets and investments	3,423	37,070	93,568
Net consideration from the sale of operation	-	350	467
Decrease (increase) in long-term loans and deposits	(2,045)	(15)	(2,911)
Net cash absorbed by investment activities	(36,334)	(1,848)	(264,013)
Cash flows from financing activities:			
Dividend paid to shareholders in the company	-	-	(9,257)
Dividend to non-controlling interests	(5,411)	(3,208)	(23,598)
Issuance of bonds	-	-	96,106
Self-purchase of the company's bonds	(273)	-	-
Repayment of long-term liabilities	(25,635)	(20,015)	(146,245)
Repayment of leasing liabilities	(12,067)	(11,662)	(45,155)
Receipt of long-term liabilities	50,379	28,110	241,397
Short-term bank credit, net	31,764	(34,654)	(87,776)
Receipts for option warrants	-	-	8,257
Exercise of option warrants and issuance of shares to non-controlling interests	51,302	(735)	36,878
Loan for the purchase of shares	-	-	(1,403)
Acquisition of treasury shares in the company and in consolidated companies	(3,694)	(313)	(3,092)
Net cash generated (absorbed) by financing activities	86,365	(42,477)	66,112
Translation differences in respect of cash and cash equivalents balances	442	(1,534)	(3,080)
Increase (decrease) in cash and cash equivalents	59,660	(81,857)	36,938
Balance of cash and cash equivalents at the beginning of the period	259,229	222,291	222,291
Balance of cash and cash equivalents at the end of the period	318,889	140,434	259,229

*) The acquisition of and investment in land are presented under inventories of real estate.

CONSOLIDATED INFORMATION OF CASH FLOWS
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)

Appendix A' - Adjustments required in order to present the cash flows from operating activities:

	Three months ended		Year ended
	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Income and expenses not involving cash flows:			
The Group's share of the profits of companies accounted for at equity, net	(3,408)	(6,754)	(18,942)
Dividends and interest received from companies accounted for at equity	998	4,086	11,546
Success fee in respect of increase in the value of housing complexes (Promote)	(1,669)	(4,029)	(21,340)
Adjustment of fair value and the results of the disposal of income-generating assets, net	-	-	406
Change in the fair value of a financial asset through profit or loss	-	-	(117)
Depreciation and amortization	26,732	22,218	96,389
Amortization of customer acquisition expenses	1,257	989	4,393
Gain on the self-purchase of the company's bonds	(70)	-	-
Deferred taxes, net	992	3,192	4,271
Change in employee benefit liabilities	235	496	1,254
Capital gain on the sale of fixed assets and other investments	(171)	(422)	(32,663)
Revaluation of long-term receivable and liabilities, net	920	(346)	10,265
Increase in the value of short-term investments	(729)	(1,111)	(2,466)
Cost of share-based payment	954	566	3,652
Income in respect of the cancellation of a liability for an onerous contract	-	-	(33,025)
Other expenses	-	(530)	(530)
Changes in asset and liability items:			
Decrease in inventory and inventory of real estate	7,626	2,803	44,489
Increase in trade receivables	(29,687)	(25,181)	(35,987)
Decrease (increase) in other accounts receivable	4,859	4,069	(1,419)
Increase (decrease) in suppliers and providers of services	(48,309)	(47,884)	93,750
Increase (decrease) in other accounts payable	21,548	(6,836)	(26,223)
	<u>(17,922)</u>	<u>(54,674)</u>	<u>97,703</u>

ELCO LIMITED**CONSOLIDATED INFORMATION OF CASH FLOWS**
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)**Appendix B' - Investment in initially consolidated companies and activities**

	Three months ended		Year ended
	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Working capital, net (except cash)	598	(24,174)	(56,529)
Fixed assets	(2,156)	(2,187)	(71,306)
Intangible assets	(5,658)	(14,280)	(118,920)
Goodwill	(19,603)	(60,684)	(159,445)
Non-current assets	(1,249)	(3,605)	(34,809)
Deferred taxes	-	268	28,597
Non-current liabilities	1,016	11,101	23,841
Bonds	-	-	89,986
Liability for put option and future dividends for non-controlling interests	13,481	50,721	50,830
Non-controlling interests	-	778	1,568
Collection of income receivable for cash flows in an interim period	-	1,033	143
Balance of deferred consideration	-	-	30,630
	<u>(13,571)</u>	<u>(41,029)</u>	<u>(215,414)</u>

ELCO LIMITED**CONSOLIDATED INFORMATION OF CASH FLOWS**
CONVENIENCE TRANSLATION INTO US DOLLARS (in thousands)**Appendix C' - Further information on cash flows**

	Three months ended		Year ended
	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Cash paid in the period for:			
Interest	<u>9,577</u>	<u>6,738</u>	<u>39,351</u>
Taxes on income	<u>8,709</u>	<u>8,419</u>	<u>40,804</u>
Cash received for:			
Interest	<u>1,167</u>	<u>525</u>	<u>3,551</u>
Taxes on income	<u>1,643</u>	<u>825</u>	<u>4,531</u>

Appendix D' – Significant activities not involving cash flows

	Three months ended		Year ended
	March 31		December 31
	2020	2019	2019
	Unaudited		Audited
Acquisition of fixed assets, investment property and intangible assets	<u>2,809</u>	<u>24,012</u>	<u>3,083</u>
Dividend payable to non-controlling interests and to shareholders in the company	<u>35,364</u>	<u>18,412</u>	<u>-</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION**Note 1 - General**

The accompanying Financial Information, is derived from the Hebrew version of the interim consolidated financial statement as of March 31, 2020 and for the period of three months ended on that date and do not include the disclosures required by International Financial Reporting Standards (IFRS) (hereinafter - The Interim Consolidate Financial Information).

The interim consolidated financial information should be read together with the Company's Hebrew version of the annual consolidated financial statement as at December 31, 2019 and for the year ended on that date and the accompanying notes thereto (hereinafter – The Annual Consolidated Financial Statement).

The interim consolidated financial information is a translation which is based on The Interim Consolidated Financial Statements, which have been prepared in accordance with International Financial Reporting Standard IAS 34 "Financial Reporting for Interim Periods", and also in accordance with the disclosure requirements in accordance with section D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

Note 2 - General description of the Company and its activities

Elco Ltd. (hereinafter - The Company), was incorporated in Israel in the year 1949 and its shares are traded on the Stock Exchange in Israel.

As of the date of the financial statements, the Group operates in Israel and abroad in four segments, in accordance with its investee companies, as follow:

- Electra** - Operates in the field of services for buildings and infrastructures in Israel and abroad, which includes: the instillation and provision of service for central air-conditioning systems, elevators, sanitation, infrastructures, the execution and construction of national infrastructure facilities, integrated security and protection solutions, electricity and piping, construction, the supervision and management of real estate, entrepreneurial real estate activity, the management and the maintenance of assets.
- Electra Consumer Products** - Operates in Israel in the importing, manufacturing, exporting, marketing, sale and distribution of electrical consumer products and in the provision of services for products, in the operation of retail marketing chains for the sale of electrical products, in the operation of cellular telecommunications through Golan Telecom and in the field of investment property.
- Electra Real Estate** - Operates in the field of the purchase, management and enhancement of housing complexes for rental in the South Eastern United States, which are held directly by a subsidiary company and by funds that invest in housing complexes in the United States, and in the disposal of income-generating real estate and entrepreneurial real estate assets in which it has invested in the past ("The strategic disposal assets").
- Supergaz Energy** - As from November 2019, the Group operates through Supergaz in the marketing, sale and distribution of LPG and LPG consuming products, in marketing and sale of Natural gas, electricity and thermal energy.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**Note 3 - The implications of the spread of the Corona Virus**

At the beginning of 2020, the Corona virus began to spread across the world and was declared to be a global pandemic by the World Health Organization. As a result, many countries, including the State of Israel, have taken significant steps in an attempt to prevent the spread of the Corona virus. The government of Israel has issued emergency regulations, which have imposed restriction on movements and gatherings of people, whilst cutting down on people going out in public, stopping flights to Israel, placing restriction on the transportation of passengers and goods, the imposition of full or partial lockdowns, requiring people who are carriers of the virus or who have been in the proximity of a person who carries it to self-quarantine and etcetera. These steps and the uncertainty that exists in relation to the length of the period in which the virus will be spreading have resulted in serious implications for many economies across the globe (hereinafter: "The crisis"). Recently, after the reporting date, the State of Israel and some other countries have begun to reduce the restrictions that have been imposed, with the objective of getting their economies to return to functioning as usual.

The Group has taken action in order to reduce the impact of the crisis on its operations and as at the time of the approval of the financial statements, the Group has not been affected significantly and the Company's management does not expect, at this stage, that it will be affected adversely to any significant extent as a result of the crisis during the year.

The following are abbreviated details of the impacts deriving from the crisis on the Group's operating segments:

A. Electra

Electra operates in Israel in a number of fields, in the construction and infrastructure projects field, the implications are examined routinely, including delays in the arrival of goods and the absence of employees and/or sub-contractors and as a result delays may occur in projects. As from the latter part of March, Electra has been identifying that there is growing demand on the part of government authorities for accelerating the pace of work in infrastructure projects. Furthermore, in the wake of the crisis, government authorities have been required to make adaptations in medical institutions, which has increased the demand for Electra's services. As at the time of the approval of the financial statements, no significant disruptions have occurred that have adversely affected the results from these operations.

In the facility management field, since the latter part of March, some of Electra's customers, which operate in the tourism and leisure field (such as hotels and shopping malls) as well as office towers, have been forced to reduce their activity in light of the restrictions that have been imposed. As a result of this and in order to adapt the expenses structure some of the employees have been put on unpaid leave for a set period of time. As at the time of the approval of the financial statements, a considerable portion of the employees have returned to orderly work and the activity opposite the customers is being renewed gradually at the current time, which is being done in accordance with the directives issued by the Ministry of Health.

In the development and construction of entrepreneurial real estate field, after the reporting date there has been a slow-down in sales of housing units in some of the projects that Electra is marketing, which is as a result of the temporary restrictions that the government has imposed, which have led to the temporary closure of the sales offices. As of the time of the approval of the financial statements, the sales offices have returned to normal operations. In light of the aforesaid, Electra' activity in this segment has been affected adversely in specific locations in the course of the second quarter of 2020. In Electra's assessment, if the activity in the economy returns to normal then its operations in the facility management field and in the development and construction of entrepreneurial real estate field are not expected to be harmed significantly.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - The implications of the spread of the Corona Virus (Continued)

A. Electra (Continued)

The impact of the spread of the Corona virus on significant operations outside of Israel:

New York City in the United States – in light of the various restrictions that have been imposed by the authorities in the United States, in the latter part of March there was a slow-down in activity in New York City in the United States. As a result of the closure of some of the sites, the local companies in the United States decided to return some of the employees who are employed to the employees' union, which led to a reduction in their costs. In recent weeks, there has been a trend in the morbidity data in New York City and it is planned to ease the restrictions in order to get the economy back to working fully.

In Electra's management's assessment, in the second quarter of 2020 it is expected that there will be impairment of the results in the segment as the result of the closure of some of the sites in which the local companies in the United States operate. However, if the restrictions in New York City are removed, it is not expected that there will be significant impairment of the Group's results as a result of the expected impairment in the operations of the companies that operate in the United States.

Nigeria – As from the latter part of March, there has been a slow-down in the Electra's activity in Nigeria as a result of the general lockdown that was imposed in the country and the directives issued by the authorities to restrict construction on building sites. Furthermore, at the present time the Nigerian economy has been hit as a result of the sharp fall in the oil prices, which may cause economic damage to the country and as a result have implications for Electra's activity in Nigeria. As a result of the implications of the crisis in Nigeria, Electra is taking action to adjust its costs structure in order to reduce the possible impairment of its financial results. Electra has examined a number of scenarios in order to examine the extent of the impairment of its operations in Nigeria and has reached the conclusion that in light of the fact that the activity in Nigeria is not significant in relation to the generality of its operations, no marked impairment of Electra's results is expected.

Russia –As a result of the crisis, the sales office that operates in Russia has been closed temporarily and sales are being executed online at a slower pace than the planned activity. The building site is operating normally. Furthermore, in the shadow of the crisis there has been a significant devaluation of the Ruble against the Shekel, which has led to a decrease in other comprehensive income in the reporting period.

B. Electra Consumer Products (ECP)

At the present time, ECP is not experiencing significant variances in the supply of goods, after its main suppliers in China have returned almost fully to producing and releasing goods after a short break in production and having stocked up in due time with sufficient quantities of inventory from European countries. In addition, in the period in which restrictions were imposed pursuant to the Emergency Regulations (The Novel Corona Virus – Restriction of Activity) (Amendment) – 2020, which entered force on March 25, 2020, pursuant to which restrictions were imposed, inter alia, on the opening of places of business, ECP increased its activities in the sale of electrical products on the internet in order to cope with those restrictions, in addition to which it put some of its employees on unpaid leave and executed steps to increase efficiency, which helped it to meet its profitability targets during the period of the restrictions.

In ECP's management's assessment, at this stage, and after the restrictions have been removed almost entirely, no significant impact has occurred on its operations and its results.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**Note 3 - The implications of the spread of the Corona Virus (Continued)****C. Electra Real Estate**

Electra Real Estate operates primarily in the residential rental property segment (housing complexes) in the United States, which is considered to be relative stable compared to other fields of investment in income-generating real estate.

The regulations that have been published by the various states in the United States, in which Electra Real Estate's housing complexes are located have not had significant implications for Electra Real Estate's results, primarily because of the nature of the restrictions that have been set by the states in relation to housing complexes, as well as the immediate and routine activities of the management company that is owned by Electra Real Estate, which undertook day to day activity in order to reduce operating expenses, to safeguard the health of the tenants in the complexes, to maintain the occupancy rates in the complexes, increased collection activity and maintaining a high level of liquidity in each property (maintaining available cash flows in the property company). Furthermore, Electra Real Estate's management is examining the developments in the collection and in rental fees from customers and the occupancy rates in each asset daily. According to the data that has been received for April 2020, the average collection rate for the rental fees from the properties stands at approximately 97% and the average occupancy rate remains unchanged and stands at 93%.

At this stage, Electra Real Estate does not expect to encounter cash flow difficulties that would cause it not to meet its commitments. Based on the activity that has been undertaken by Electra Real Estate's management, including conversations with an external appraiser and evaluations that have been performed as of March 31, 2020, in respect of some of the housing complexes, in Electra Real Estate's assessment, as of the time of the approval of the financial statements, the spread of the Corona Virus has not had a significant adverse impact on the fair value of the housing complexes as of March 31, 2020.

D. Supergas Energy

The directives regarding restrictions on movement and the closure of business, as well as the economic slow-down that has been caused as a result of the crisis, have had a negative impact on Supergas Energy's profitability, as a result of a reduction in the consumption of LPG and natural gas, and an increase in exposure to collection risks relating to customers operating in the restaurants, cafes, hotels, events halls and similar sectors. This negative impact has been offset partially as a result of an increase in the consumption of LPG in private households during the period of the restrictions. In addition to the sharp fall in the prices of a barrel of oil as a result of the crisis, the impacts on Supergas' operations offset each other, the negative short-term impact on the natural gas operations on the one hand and the positive impact on LPG activity in the intermediate term on the other hand. In light of the aforesaid, and following the steps that have been taken by Supergas Energy to reduce the operating expenses and also in light of the recent easing of the restrictions, which has been decided upon by the Israeli government, Supergas Energy has not been adversely impacted significantly and it does not expect that it will be adversely impacted significantly further on in the year as a result of the crisis. In addition, Supergas Energy does not expect, at this stage, that it will encounter cash flow difficulties that would cause it not to meet its commitments.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - The implications of the spread of the Corona Virus (Continued)

E. Others

Pursuant to the Public Health Order (The Novel Corona Virus) (Isolation at Home and Sundry Directives) (Temporary Directive) – 2020, there is a prohibition on activity in the places that are detailed in the Order, which include, inter alia, cinemas, theaters and cultural institutions. Elco Media has operated in accordance with the temporary directive and it discontinued the operation of the cinemas at the time required, it put most of its employees on unpaid leave and significantly reduced overheads.

Furthermore, as a result of the restrictions that have been imposed by the governments in Israel, the United States and England, MIP's management decided to close all of its sites immediately, to put most of its employees on unpaid leave and significantly reduced overheads.

These operations do not have a significant impact on the Group's results.

However, if the crisis were to deepen, or heaven forbid it were to lead to a significant slow-down in business activity in Israel and across the globe, then this would be expected to have a significant impact on the financial results of each of the Group's operating segments, even though at this stage the Company's management is unable to assess and to quantify that impact.

Note 4 - Convenience translation

The Interim Consolidate Financial Information in US Dollars is a translation of the statements as prepared in New Israeli Shekels ("NIS" or "Shekel") at the rate of exchange of the Shekel for the US Dollar prevailing on March 31, 2020 (NIS 3.565 = US\$ 1).

It should be noted that the New Israeli Shekel amounts, on the basis of which the convenience translation figures were prepared, do not necessarily represent the current cost amounts of the various elements within The Interim Consolidate Financial Statements and, also, that it should not be construed from the translation into US Dollar figures that the Israeli currency amounts actually represent, or could be converted into Dollars. This financial information has been prepared for the convenience of the reader. In the event of any discrepancy between the contents of this translation and the Hebrew original, the Hebrew original prevails.